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WHY A SUPERMAJORITY WOULD PROTECT TAXPAYERS

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On April 15th, the House of Representatives will vote on a Constitutional Amendment requiring a two-thirds supermajority for Congress to raise taxes. In favor of the amendment are those who believe that lawmakers will be more fiscally responsible and the economy will grow faster if it becomes more difficult for Congress to raise taxes. On the other side are those who believe restricting tax increases would interfere with the majority's ability to determine economic policy.

To be fair, opponents are correct. The proposed amendment would restrict the rights of the majority. But that is precisely the point. Just as the First Amendment is supposed to prohibit the majority from passing laws to infringe upon the rights of free speech and the Second Amendment is supposed to prohibit the majority from passing laws to infringe on the right to keep and bear arms, the supermajority amendment is designed to place limits on the power of the majority to take money from the minority. More specifically, taxpayers are presumed to have a right to their earnings and that only tax increases with very broad support—as measured by the ability to attract a two-thirds supermajority—are permissible.

There is little doubt that a supermajority will make it harder for politicians to take more money from taxpayers. That is why lawmakers who believe taxes should be higher oppose it. Had a supermajority been in place, some major tax increases from recent years would not have become law. Consider:

- **The record tax increase pushed through Congress in 1993 by President Clinton** was approved by 51-50 in the Senate and 218-216 in the House. Since a single vote-switch in either body would have killed the legislation, a supermajority requirement easily would have saved the economy from the largest tax increase in American history.
- **The large tax increase signed into law in 1990 by President Bush** was approved by 54-45 in the Senate and 228-200 in the House. Had a supermajority been required, this ill-fated measure would have fallen 12 votes short in the Senate and 58 votes shy in the House.
- **Other major tax increases in recent years, including the tax hikes of 1982, 1984, and 1987**, also would have been blocked by a supermajority provision.

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Needless to say, these tax increases might never even have come up for a vote had supermajority approval been required. Or at the very least, supporters of the tax increases would have had to reduce the size of the hikes and probably make much-needed reforms to spending programs to attract the needed votes. This helps explain why the lawmakers who oppose this in Congress are those who traditionally favor raising taxes—they fear the supermajority would restrict them.

A supermajority requirement would not, of course, block all tax increases. The 1983 Social Security bailout legislation, for instance, imposed a huge tax increase on workers and allowed incumbents at the time to avoid taking needed steps to fix a fundamentally broken system. That legislation did receive more than two-thirds support in both chambers of Congress. Likewise, it is clear that Congress would be able to increase spending, whether financed by taxes or debt, if there was a genuine national emergency. A supermajority requirement during World War II, for instance, would not have impeded the conduct of fiscal policy.

Nonetheless, some critics say that such a requirement would be disruptive, or even disastrous, if it were imposed on Congress. But seven states worked under such a limit for at least 15 years and there is no indication that it has caused any problem. Significantly, not a single state has repealed the provision. Moreover, the seven states which have lived for quite some time under some form of supermajority—Arkansas, California, Delaware, Florida, Louisiana, Mississippi, and South Dakota —have been joined recently by Arizona, Oklahoma, and Colorado. Nevada and Ohio may soon join the list.

Ultimately, the debate over the supermajority boils down to a fight about the size of government and the effect of taxes on economic performance. Proponents of smaller government want to use the balanced budget amendment and the supermajority together to slowly shrink the size and power of the federal government. Further, they want to put a brake on higher taxes, which undermine the goals of fiscal responsibility and economic performance. For instance:

- ✗ **Higher taxes typically are followed by bigger deficits.** Tax increases in 1982, 1983, 1984, 1987, 1990, and 1993 have not balanced the budget. Indeed, current CBO projections show the deficit climbing to more than $300 billion within ten years if current policies are left in place.

- ✗ **Higher taxes are associated with higher spending.** A 1991 study by the Joint Economic Committee showed that every dollar of higher taxes is associated with more than $1.59 of new spending.[1] Tax increases are virtually guaranteed to trigger new spending if there is a balanced budget requirement since any new revenues simply allow politicians to satisfy the balanced budget requirement at a higher level of spending.

- ✗ **Higher taxes hurt the economy.** Lower taxes in the 1920s, 1960s, and 1980s helped trigger economic booms. Higher taxes in the 1930s, 1970s, and 1990s, by contrast, are associated with very mediocre economic performances. The evidence linking taxes and economic performance is powerful. Numerous studies show that nations with low taxes grow faster than countries with high taxes and also that countries can improve their performance by reducing taxes on productive economic behavior.[2] Similar studies show taxes have the same effect in and among states.[3]

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1 Richard Vedder, Lowell Gallaway, and Christopher Frenze, "Taxes and Deficits: New Evidence," Joint Economic Committee Staff Report, October 31, 1991.

2 For an extensive list of studies, see Daniel J. Mitchell, "Jobs, Growth, Freedom, and Fairness: Why America Needs a Flat Tax," Heritage Foundation *Backgrounder* No. 1035, May 25, 1995.

3 For a comprehensive analysis of state evidence, see Richard K. Vedder, "State and Local Taxation and Economic Growth: Lessons for Federal Tax Reform," Joint Economic Committee Staff Report, December 1995.

- ✗ **Higher taxes do not collect the promised revenues.** Fewer jobs means fewer taxpayers. Lower profits means lower tax collections. Falling incomes mean falling tax revenues. Understanding these simple relationships helps explain why individual income tax revenues have fallen as a percent of GDP since Ronald Reagan left office even though Americans have suffered through two major tax increases.

A supermajority rule is a necessary component of any strategy to shrink the size and power of the federal government, and to limit the power of Congress to tax. High taxes hurt the economy. Not only are five supermajority states below the national average in growth of taxes, but also five are above the national average in overall economic growth (see Table 1).This may be why more and more states have adopted the rule. There is every reason to believe it would have a positive effect on fiscal policy in Washington. Requiring supermajority votes to raise taxes ensures that politicians cannot continue to spend other people's money and evade fiscal responsibility by imposing a higher tax bill on the nation.

A wide range of economic studies demonstrates that states will be better off if they keep their tax burdens low. Curbing taxes limits the growth of government and boosts economic performance. By making it harder to raise taxes, supermajority rule would have a desirable effect on the nation's fiscal policy and overall economic performance. To be sure, a supermajority does not guarantee sound economic policy. The record tax increase approved in California several years ago, for instance, happened in spite of a two-thirds supermajority requirement. And many states without supermajorities, such as Tennessee and Nevada, have scored well in most categories of economic performance (this may be due to these states not having an income tax). When all factors are examined, however, there is no escaping the logical relationship between supermajorities and superior state performance. America would be well served if this lesson were applied to the federal budget.

Table 1

How Supermajority States Compare in Gross State Product and Per Capita Tax Revenue

	Gross State Product Change: 1980-1992	Per Capita Tax Revenue Change: 1980-1992
Alabama	35.9%	113.7%
Arkansas	38.9%	125.5%
Arizona	50.7%	103.3%
California	45.8%	82.6%
Colorado	34.2%	97.3%
Connecticut	43.2%	212.0%
Delaware	80.8%	124.3%
Florida	60.3%	116.6%
Georgia	63.6%	115.5%
Hawaii	51.6%	125.8%
Iowa	9.2%	113.6%
Idaho	34.5%	150.9%
Illinois	23.8%	86.9%
Indiana	28.8%	132.9%
Kansas	25.7%	106.7%
Kentucky	27.4%	131.0%
Louisiana	3.8%	73.9%
Massachusetts	41.8%	141.2%
Maryland	46.4%	102.3%
Maine	42.2%	144.9%
Michigan	18.6%	85.9%
Minnesota	40.1%	111.7%
Missouri	28.2%	132.0%
Mississippi	28.0%	91.2%
Montana	7.1%	108.4%
North Carolina	51.6%	140.6%
North Dakota	13.9%	108.3%
Nebraska	31.5%	126.2%
New Hampshire	68.7%	165.3%
New Jersey	47.0%	183.8%
New Mexico	34.2%	98.7%
Nevada	86.3%	129.6%
New York	28.6%	129.4%
Ohio	21.2%	149.1%
Oklahoma	4.8%	105.4%
Oregon	25.3%	101.4%
Pennsylvania	24.0%	122.0%
Rhode Island	32.4%	118.4%
South Carolina	56.1%	103.0%
South Dakota	41.6%	102.7%
Tennessee	47.0%	119.2%
Texas	31.6%	103.1%
Utah	43.9%	103.9%
Virginia	46.7%	114.7%
Vermont	48.5%	157.0%
Washington	48.2%	133.4%
Wisconsin	27.6%	92.9%
West Virginia	10.6%	107.5%
Wyoming	-1.7%	68.2%
USA Average	**36.3%**	**118.6%**

Note: Alaska is excluded from this analysis because its revenue base is almost exclusively derived from oil royalties.
Source: Bureau of Economic Analysis, Bureau of the Census.